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ANALYSIS OF THE INFLUENCE OF THE COVID-19 PANDEMIC ON MANAGERIAL OWNERSHIP AND DIVIDEND POLICY IN INDONESIA: LITERATURE REVIEW

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Abstract

This article examines the impact of the crisis due to the Covid-19 pandemic and managerial ownership on dividend policy. The purpose of writing this article is to analyze existing theories by comparing existing theories in several previous articles in the research literature. The literature review used is literature from reviews and journals that are related and appropriate to national and international financial management. All articles used come from Mendeley and Google Scholar literacy data. The reason for conducting qualitative research is because qualitative research has an exploratory nature. Next, an in-depth discussion was carried out and linked to the literature review which had been reviewed as a basis for formulating a hypothesis, then continued by comparing it with the results of previous research findings to reveal the truth of the existing theory. The method used in this research is a Systematic Literature Review or SLR which contains a description of theoretical findings and other research materials regarding dividend policy and managerial ownership during the Covid-19 pandemic. The results of this research are that companies tend to increase dividend distribution during the crisis caused by the pandemic in an effort to provide a positive signal to investors and support trading conditions in the capital market. Apart from that, the company also maintains the dividend level as a strategy to maintain investor confidence and the stability of the company's operations. Factors such as profitability and previous year's dividends have also been proven to have a positive influence on a company's dividend policy during crisis conditions. These findings provide important contributions for practitioners, academics, and further analysis in understanding the impact of the pandemic on company dividend policies as well as the importance of dividend policy strategies that are adaptive and responsive to unexpected external conditions.

Keywords: Managerial ownership, Dividend Policy, Covid-19.

Introduction

On Monday, March 2 2020, Indonesia was hit by the Covid-19 pandemic which resulted in economic instability (Zhang & Qin, 2022). This virus spreads very rapidly. As a result, the Large-Scale Social Restrictions policy or abbreviated as PSBB has been implemented simultaneously in every region. This policy has been started since April 2020, marked by the issuance of DKI Jakarta Governor Regulation No.33. The conditions resulting from the PSBB policy resulted in paralysis of the world economy; Meanwhile, the International Monetary Fund (IMF) predicts that at the end of the first quarter of 2020 there will be a global economic recession (Liu et al., 2020). As a result, Indonesia was also affected by a decrease in income because one of the largest tax supplies came from these activities. People tend to reduce spending to maintain economic uncertainty.

In our own country, Indonesia, in 2020 it was proven that inflation decreased to 1.68%. This proves that the decline in money circulation was caused by disruption to the global economy during the pandemic (Tinungki et al., 2022). This event symbolizes that people prefer to keep their money in banks rather than use it for shopping, which causes a lack of money supply which results in a decrease in the inflation rate (Blyth & Lonergan, 2014). This means that the economy at that time experienced negative growth.

The crisis caused by this pandemic has had a huge impact on the world of investment, especially shareholders in the world of capital markets. In March 2020 the composite value of BEI and the implementation of PSBB reached its lowest point, namely IDR 4,194.94. This is different from what happened in early January 2020, where the composite value decreased by 33.25% from the original IDR 6,283.58 (Tinungki et al., 2022). This happens because it is assumed that people tend not to invest due to economic uncertainty during the pandemic, coupled with the policy of implementing the PSBB (Arianto, 2021). Not only that, the world of capital markets has also been affected by this virus, resulting in unstable share prices. To maintain company liquidity in the midst of a crisis like this, the company changed its dividend distribution policy.

Dividends are the profit value distributed to investors by the company to fund company operations (Utami et al., 2023). This dividend value is what attracts investors in the world of capital markets. This dividend policy is a decision to determine how much of a company's profits will be distributed to investors or shareholders or how much profit will be retained (Novi et al., 2023). The large value of dividends to be distributed will influence the rise and fall of share prices (Sundari, 2024), because investors tend to be attracted to the relatively high level of return on dividends compared to capital gains (Suardana et al., 2020).

Financial performance is a description of the company's financial needs within a certain period of time in terms of fundraising and disbursement. These aspects can usually be seen from indicators of capital strength, liquidity and profitability of a company. If managers own shares, company management will work more efficiently because it will work in the interests of the company. This encourages managers not only to work as professionals, but also instills a sense of company ownership in managers. If the company makes a profit, its expansion and development will be sustainable. This profit consists of retained profits, shared profits, and profits that are kept to a minimum. One of the most important sources of funding to finance company expansion is retained earnings. The greater the company's funding sources, the stronger the company's financial position, the more profits are retained apart from permanent depreciation of assets as long as part of the company's profits are distributed to shareholders as dividends (Moridu et al., 2022). Regarding the amount of dividends that will be compared, the company leadership's dividend policy is a determining factor in a person's investment decision (Syahri & Robiyanto, 2020). On the other hand, during the Covid-19 pandemic, people tended not to invest due to the unstable economy. Therefore, a company's funding sources will decrease so that its ownership percentage also decreases.

Therefore, this research question is, "Does the Covid-19 pandemic have a negative impact on dividend policy? Does dividend policy have an influence on managerial ownership? Will the company distribute dividends to maintain its corporate image, or lower its interest rates due to the crisis during the pandemic?"

This article examines the impact of the crisis due to the Covid-19 pandemic and managerial ownership on dividend policy. May Shella et al, (2020) stated that there are several companies that maintain their image by distributing dividends. However, many companies have even cut or reduced the amount of dividends that will be distributed to shareholders.

Research Methods

The method used in this research is a Systematic Literature Review or SLR which contains a description of theoretical findings and other research materials regarding dividend policy and managerial ownership during the Covid-19 pandemic. The purpose of writing this article is to analyze existing theories by comparing existing theories in several previous articles in the research literature. The literature review used is literature from reviews and journals that are related and appropriate to national and international financial management. All articles used come from Mendeley and Google Scholar literacy data. The reason for conducting qualitative research is because qualitative research has an exploratory nature. Next, an in-depth discussion was carried out and linked to the literature review which had been reviewed as a basis for formulating a hypothesis, then continued by comparing it with the results of previous research findings to reveal the truth of the existing theory.

Results And Discussion

The crisis resulting from the COVID-19 pandemic has had an impact on company dividend policies in Indonesia. The research results show that the crisis due to the pandemic caused dividend distribution using the system generalized moment method (SYS-GMM) to be higher. In addition, the company maintained the dividend level as a positive signal for investors, which was able to lift sluggish trading conditions in the capital market. Previous year's profitability and dividends also have a positive influence on dividend policy. The impact of the crisis due to the COVID-19 pandemic on company dividend policies in Indonesia. The following are further details regarding the impact of the COVID-19 pandemic on dividend policy:

1. Increase in Dividend Distribution: The crisis resulting from the COVID-19 pandemic has caused the dividend distribution using the system generalized moment method (SYS-GMM) to be higher. This shows that the company responded to crisis conditions by increasing dividend distribution to shareholders.
2. Maintaining the Dividend Level as a Positive Signal: Despite the crisis, the company maintained the dividend level as a positive signal for investors. This action aims to maintain investor confidence and lift sluggish trading conditions in the capital market during the pandemic.
3. Effect of Profitability and Previous Year Dividends: The research results also show that company profitability and previous year dividends have a positive influence on dividend policy during the crisis caused by the COVID-19 pandemic. This shows that these factors remain important considerations in forming company dividend policies amidst crisis conditions.
4. Robustness of Dynamic Panel Data Estimates: The research uses the first difference generalized moment method (FD-GMM) and the system generalized moment method (SYS-GMM) to determine the robustness of dynamic panel data estimates. The research

results show that the crisis caused by the COVID-19 pandemic affects dividend distribution using the SYS-GMM method.

5. Positive Signal for Investors: Companies in Indonesia maintain dividend levels as a positive signal for investors during the crisis caused by the pandemic. This shows the company's efforts to maintain investor confidence and support trading conditions in the capital market.
6. Implications for Company Performance: The impact of the COVID-19 pandemic on dividend policy can also have implications for overall company performance. Distribution of higher dividends or maintaining dividend levels can reflect the company's strategy in maintaining operational stability and supporting growth amidst crisis conditions.
7. Dividend Policy Strategy During the Crisis: The COVID-19 pandemic forces company managers to formulate a dividend policy that ensures cash flow is well maintained during business operations. This shows the importance of a dividend policy strategy that is adaptive and responsive to unexpected external conditions, such as a pandemic.

Influence of External Factors: Apart from internal company factors such as profitability and dividends in the previous year, the COVID-19 pandemic has also shown the significant influence of external factors on dividend policy. Companies need to consider unexpected external conditions in formulating optimal dividend policies.

The influence of the Covid-19 pandemic on managerial ownership

The Covid-19 pandemic has brought about significant changes in the dynamics of managerial ownership in companies, involving aspects of transparency, reward policies, personal investment priorities, and interactions between institutional ownership. Further studies could provide deeper insights into managerial adaptations in facing complex economic challenges during the pandemic. The influence of the Covid-19 pandemic on managerial ownership in companies can include several important aspects including:

1. Changes in Managerial Ownership: The Covid-19 pandemic has caused significant economic uncertainty, which can affect managerial ownership in companies. Managers may face pressure to sell their shares to address the personal financial impact caused by the pandemic, which in turn may change the managerial ownership structure within the company.
2. Influence on Financial Performance: The economic impact of the Covid-19 pandemic can also affect a company's financial performance, which in turn can influence managerial motivation to maintain or increase their share ownership. If a company's financial performance is negatively affected by the pandemic, managers may be inclined to sell their shares to address personal financial needs.
3. Ethics and Responsibility Considerations: During periods of crisis such as the Covid-19 pandemic, ethical considerations and managerial responsibilities can also play an important role in share ownership. Managers may feel the need to remain committed to the company and its shareholders despite facing personal financial pressures, which may influence their decisions regarding share ownership.
4. Managerial Strategy in Facing the Crisis: The Covid-19 pandemic has also created new challenges for managers in managing their companies and share ownership during the crisis. The managerial strategies implemented to overcome the impact of the pandemic can impact their share ownership, both directly and indirectly.

5. Changes in Investment Priorities: During the Covid-19 pandemic, many companies experienced changes in their investment priorities to face the economic challenges caused by the crisis. This may influence managerial decisions regarding share ownership, where managers may need to align their personal investment portfolios with the company's investment strategy.
6. Increased Managerial Involvement: In crisis situations such as the Covid-19 pandemic, managers may feel the need to be more involved in the company's strategic decision making to overcome the challenges faced. This higher level of managerial involvement may impact their stock holdings, as they may pay more attention to the company's performance and the value of their shares.
7. Influence of Government Regulations and Policies: Government responses to the Covid-19 pandemic, including economic policies and fiscal stimulus, can also influence managerial ownership in companies. New regulations or incentives provided by the government can influence managerial decisions regarding share ownership, especially in the context of company financial restructuring.
8. Long-Term Impact: In addition to the immediate impact during the pandemic, changes in managerial ownership that occur during the crisis can have a long-term impact on the ownership structure and dynamics of the company. Follow-up studies tracking changes in managerial ownership over time following the pandemic could provide insight into the evolution of relationships between managers, firms, and shareholders.
9. Changes in Ownership Structure: The Covid-19 pandemic may trigger changes in managerial ownership structures, where managers may be forced to sell or buy company shares in response to changes in economic conditions resulting from the pandemic. These changes can affect the distribution of share ownership among managers and external shareholders.
10. Influence of Market Sentiment: During the Covid-19 pandemic, market sentiment and market volatility can influence managerial decisions regarding share ownership. Managers may be more inclined to sell their shares if they believe that the share value will fall further, or conversely, they may choose to buy shares if they see an attractive investment opportunity.
11. Risk Considerations: Company managers may also have to consider the risks associated with their shareholdings during the Covid-19 pandemic. Financial risks and market volatility may influence managerial decisions related to their personal investment portfolios, including ownership of shares in the companies for which they work.
12. Relationship Between Managerial Ownership and Dividend Policy: In addition, the Covid-19 pandemic can also affect the relationship between managerial ownership and a company's dividend policy. Changes in managerial ownership can influence company decisions regarding dividend distribution, which in turn can influence investor perceptions and company stock performance.
13. Increased Transparency and Accountability: During the Covid-19 pandemic, there has been an increase in demands for transparency and accountability in company management. Managers who have shareholdings in the company may feel more responsible for ensuring the company's performance remains stable and transparent during the crisis, as this can also affect the value of their shares.
14. Influence of Reward and Incentive Policies: The Covid-19 pandemic can also affect reward and incentive policies for managers who have share ownership in the company. Changes in corporate performance during a crisis can trigger adjustments in reward and incentive structures, which in turn can influence managerial motivation and share ownership.

15. Changes in Personal Investment Priorities: In addition to changes in company investment priorities, the Covid-19 pandemic may also affect the personal investment priorities of managers who have share ownership. Managers may need to adjust their personal investment portfolios to reduce risk and optimize potential returns during periods of economic uncertainty.
16. Influence of Institutional Ownership: During the Covid-19 pandemic, institutional ownership in companies may also change, which may affect managerial ownership dynamics. The interaction between institutional ownership and managerial ownership can be an important factor in determining investment strategies and managerial decisions during a crisis.
17. Influence of Risk Management Policies: During the Covid-19 pandemic, managers who have shareholdings in companies may focus more on risk management policies to protect the value of their investments. Effective risk management policies can help managers deal with economic uncertainty and market volatility caused by the pandemic.
18. The Effect of Managerial Ownership on Innovation: The Covid-19 pandemic can also affect the relationship between managerial ownership and innovation in companies. Managers who own shares may be more motivated to drive innovation in response to changes in market needs and the business environment triggered by the pandemic.
19. The Effect of Managerial Ownership on Company Stability: During the Covid-19 pandemic crisis, managerial ownership can play an important role in maintaining company stability. Managers who have share ownership may have greater incentives to make decisions that support the company's long-term growth and maintain business continuity during times of crisis.

The Influence of Managerial Ownership on Relations with Shareholders: During the Covid-19 pandemic, managerial ownership can also influence the relationship between managers and shareholders. Share ownership by managers can create mutual interests between managers and shareholders, which can strengthen relationships and trust amidst economic uncertainty.

Conclusions

The Covid-19 pandemic has had a significant impact on managerial ownership in companies. This pandemic increases demands for transparency and accountability in company management, where managers with share ownership are expected to be responsible for ensuring company performance remains stable and transparent during the crisis. In addition, changes in company performance during the Covid-19 pandemic also affect reward and incentive policies for managers with share ownership, which in turn can influence managerial motivation and share ownership. The pandemic has also affected the personal investment priorities of managers with equity holdings, as they need to adjust their personal investment portfolios to reduce risk and optimize potential returns during periods of economic uncertainty. The interaction between institutional ownership and managerial ownership may also change during the Covid-19 pandemic, affecting investment strategies and managerial decisions in facing the economic crisis. Thus, the Covid-19 pandemic has prompted changes in managerial behavior and decisions regarding share ownership in companies, demonstrating the importance of adaptation and managerial responsibility in facing complex economic challenges.

The COVID-19 pandemic has had a significant impact on company dividend policies in Indonesia. This research shows that companies tend to increase dividend distribution during the crisis caused by the pandemic in an effort to provide a positive signal to investors and support trading conditions in the capital market. Apart from that, the company also maintains the dividend level as a strategy to maintain investor confidence and the stability of the company's operations. Factors such as profitability and previous year's dividends have also been proven to have a positive influence on a company's dividend policy during crisis conditions. These findings provide important contributions for practitioners, academics, and further analysis in understanding the impact of the pandemic on company dividend policies as well as the importance of dividend policy strategies that are adaptive and responsive to unexpected external conditions.

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